

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 08621 01 OF 02 031907Z
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R 031832Z MAY 78
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TO SECSTATE WASHDC 6383
INFO AMEMBASSY ROME
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AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION USNATO

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 08621

EXDIS

USEEC

FOR AMBASSADOR HENRY OWEN (WHITE HOUSE)
INFO ADDRESSEES FOR CHIEFS OF MISSION ONLY

E.O.11652:GDS
TAGS: EEC, PFOR, EFIN
SUBJECT: EUROPEAN MONETARY UNION

1. FOLLOWING OUR RECENT DISCUSSIONS OF ECONOMIC ISSUES, PARTICULARLY EUROPEAN IDEAS ABOUT MONETARY COOPERATION AMBASSADORS BENNETT, BREWSTER, GARDNER, HARTMAN, AND STOESSEL HAVE REVIEWED AND AUTHORIZED ME TO PROVIDE YOU WITH THE FOLLOWING CONSENSUS STATEMENT OF OUR VIEWS AND TO REQUEST YOU TO CONSIDER, TOGETHER WITH OTHER SENIOR OFFICIALS CONCERNED WITH INTERNATIONAL ECONOMIC POLICY, OUR RECOMMENDATIONS.

2. OUR DISCUSSIONS IN ROME THIS YEAR AND IN LONDON LAST YEAR OF CURRENT POLITICAL, SECURITY, SOCIAL, AND OTHER
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PAGE 02 BRUSSE 08621 01 OF 02 031907Z

ISSUES HAVE REPEATEDLY LED US BACK TO THE ECONOMIC SITUATION: INADEQUATE GROWTH, HIGH UNEMPLOYMENT, RESIDUAL INFLATION DANGERS, AND INTRA-EUROPEAN DISPARITIES IN ECONOMIC POLICY AND PERFORMANCE. OUR INESCAPABLE CONCLUSION IS THAT PROGRESS IN ALL FIELDS IS INHIBITED BY EUROPE'S INABILITY TO DEVELOP ECONOMIC THRUST. MOREOVER, MONETARY INSTABILITY AND CONCERN OVER THE "DOLLAR PROBLEM"

POWERFULLY REINFORCE PROTECTIONIST PRESSURES AND COULD ENDANGER THE TOKYO ROUND. WE AGREE THAT PRESENT U.S. POLICIES CALLING FOR A FIRM DOMESTIC FIGHT AGAINST INFLATION AND A MEANINGFUL ENERGY POLICY, AND FOR A COORDINATED OECD-WIDE EFFORT TOWARD MUTUALLY REINFORCING POLICIES TO STIMULATE RECOVERY OF OUR ECONOMIES, ARE CORRECT. WE SHOULD CONTINUE ALONG THESE LINES.

3. BEYOND THAT, WE NOTED THAT THE EUROPEANS AT COPENHAGEN HAD CLEARLY INDICATED THEIR BELIEF THAT THE COMMUNITY ITSELF SHOULD TAKE EARLY STEPS TOWARD CLOSER MONETARY COOPERATION AS PART OF A STRATEGY TO PROMOTE WORLD ECONOMIC PROGRESS.

4. GIVEN THE FORMIDABLE TECHNICAL AND POLITICAL OBSTACLES, WE ARE EXTREMELY SKEPTICAL ABOUT CHANCES FOR EARLY EUROPEAN ACHIEVEMENT OF MONETARY UNION. YET WE RECOGNIZE THAT SINCE ROY JENKINS LAUNCHED HIS IDEAS, THE DEBATE HAS BEEN SUSTAINED AND GROWN. INDEED AT COPENHAGEN THE NINE MEMBER STATES AGREED TO PREPARE A "COMMON STRATEGY" INTENDED AMONG OTHER THINGS TO "FACILITATE PROGRESS TOWARD ECONOMIC AND MONETARY UNION." GISCARD AND SCHMIDT AT COPENHAGEN ADVANCED NEW IDEAS FOR PROGRESS IN THE MONETARY AREA WHICH WE UNDERSTAND GO TO A MORE CLOSELY ALIGNED EUROPEAN EXCHANGE RATE SYSTEM, EXPANDED USE OF THE EUROPEAN UNIT OF ACCOUNT IN INTRA-EUROPEAN TRANSACTIONS AND SETTLE-
CONFIDENTIAL

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PAGE 03 BRUSSE 08621 01 OF 02 031907Z

MENTS, AND AN INCREASED ROLE AND RESOURCES FOR THE EUROPEAN MONETARY COOPERATION FUND. AS YET LITTLE IS KNOWN ABOUT THE DETAILS OF THE PROPOSED PROGRAM; IN FACT THESE DETAILS ARE YET TO BE WORKED OUT.

5. AS WE SAW IT, THE EVENTUAL ACHIEVEMENT OF EUROPEAN MONETARY UNION WOULD BE BOTH A STEP OF HISTORIC DIMENSION IN THE PROCESS OF EUROPEAN INTEGRATION AND A MAJOR CONTRIBUTION TO GREATER INTERNATIONAL MONETARY STABILITY. IN THE ABSENCE OF DETAILED INFORMATION ON THE SPECIFIC ACTIONS NOW BEING CONSIDERED BY THE COMMUNITY AND HOW THEY WOULD AFFECT OUR INTERESTS, WE FELT THAT WE SHOULD EXERCISE SOME CAUTION ABOUT APPEARING TO GIVE THE EUROPEANS A BLANK CHECK ON SPECIFICS. THUS, WHILE MAINTAINING AND REITERATING AS NEEDED OUR SUPPORT FOR EUROPEAN UNIFICATION -- INCLUDING THE GOAL OF ECONOMIC AND MONETARY UNION -- WE FELT IT WOULD BE PREMATURE TO MAKE A JUDGMENT ON THE SPECIFICS OF THE NEW EUROPEAN INITIATIVES. LATER, AND DEPENDING ON OUR JUDGMENT OF DEVELOPMENTS IN THE INTERIM, WE MIGHT USE THE BONN SUMMIT AS AN OCCASION TO WELCOME THEM.

6. THIS LEFT US CONCERNED ABOUT DEFINING A NEAR-TERM

U.S. POSITION. THE CONSENSUS OF THE GROUP WAS THAT, JUST
AS WE NEED TO HAVE MORE INFORMATION BEFORE WE COULD ENDORSE
SPECIFIC PROPOSALS MEANT TO LEAD TO MONETARY UNION, SO
WE SHOULD IN THE MEANTIME ALSO AVOID THE POLITICAL DANGERS

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PAGE 01 BRUSSE 08621 02 OF 02 031852Z
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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 08621

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OF BEING CAST AS, OR THOUGHT OF AS, BEING OPPOSED.

7. WE PERCEIVED A DANGER THAT COMMUNITY MEMBER STATES,
E.G., THE UK, MIGHT SCREEN THEIR OWN NATIONAL INTEREST
OBJECTIONS TO THE SCHMIDT AND OTHER PROPOSALS BY ASSERTING
OR ALLUDING TO ALLEGED U.S. OPPOSITION. THIS DANGER
SHOULD BE OFFSET, WE THOUGHT, SINCE JUST THE PROCESS OF
EUROPEAN MOVEMENT TO GREATER MONETARY COHESION COULD,
IF HANDLED RIGHT, SERVE AS A CATALYST FOR MORE EXPANSION-
IST GERMAN ECONOMIC POLICIES AND NEW INVESTMENT THROUGHOUT
THE COMMUNITY -- A VIEW WHICH AT COPENHAGEN WAS APPARENTLY
SHARED BY MOST EUROPEAN LEADERS.

8. WE RECOMMEND, THEREFORE, THE FOLLOWING POLICY STANCE:
-- THE UNITED STATES HAS LONG SUPPORTED AND CONTINUES
TO SUPPORT THE PROCESS OF EUROPEAN INTEGRATION AND THE
GOAL OF EUROPEAN UNITY. INDEED, PRESIDENT CARTER HAS
ENCOURAGED THE COMMUNITY TO REACH THAT COHESION OF
PURPOSE AND STRUCTURE THAT THE EUROPEANS DESIRE, JUST
AS HE HAS STATED OUR WILLINGNESS TO DEAL WITH ONE EUROPE
WHenever THE EUROPEANS CHOOSE TO SPEAK WITH ONE VOICE.
IT FOLLOWS, FIRST, THAT IT IS FOR THE EUROPEANS THEMSELVES

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PAGE 02 BRUSSE 08621 02 OF 02 031852Z

TO DECIDE WHETHER AND HOW TO ADVANCE TO CLOSER MONETARY
COOPERATION AND, SECOND, THAT THE UNITED STATES IS
NEITHER OPPOSED TO THE IDEA OF EUROPEAN MONETARY UNION
NOR PRESUMPTIVELY HOSTILE TO SPECIFIC EUROPEAN PROPOSALS
INTENDED TO MOVE EUROPE IN THE DIRECTION OF COMMON
ECONOMIC AND MONETARY POLICIES. RATHER, EUROPEAN SUCCESS
IN DEVELOPING A PROGRAM WHICH WOULD CONTRIBUTE TO WORLD
MONETARY STABILITY AND ECONOMIC RECOVERY WOULD BE
WELCOMED BY THE UNITED STATES. HINTON

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